

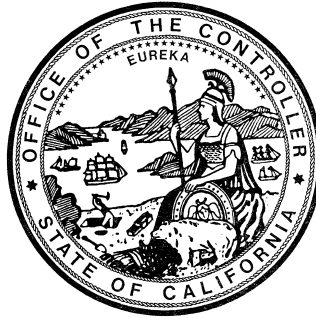
IRVINE UNIFIED SCHOOL DISTRICT

Audit Report

SCHOOL DISTRICT OF CHOICE: TRANSFERS AND APPEALS PROGRAM

Chapter 160, Statutes of 1993,
and Chapter 1262, Statutes of 1994

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

November 2004



STEVE WESTLY
California State Controller

November 5, 2004

Dean Waldfogel, Superintendent
Irvine Unified School District
5050 Barranca Parkway
Irvine, CA 92604

Dear Mr. Waldfogel:

The State Controller's Office audited the claims filed by the Irvine Unified School District for costs of the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 1999, through June 30, 2002 (the district did not file a claim for the period of July 1, 2000, through June 30, 2001).

The district claimed \$402,956 (\$403,956 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that none of the claimed costs is allowable because the district claimed unsupported costs. The State paid the district \$101,105, which the district should return.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's website at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Susan Long
Deputy Superintendent
Irvine Unified School District
Lisa Howell
Director of Fiscal Services
Irvine Unified School District
William K. Habermehl, County Superintendent of Schools
Orange County Department of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Educational Consultant
School Fiscal Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance
Charles Pillsbury, School Apportionment Specialist
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Finding and Recommendation	5

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Irvine Unified School District for costs of the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 1999, through June 30, 2002 (the district did not file a claim for the period of July 1, 2000, through June 30, 2001). The last day of fieldwork was February 11, 2004.

The district claimed \$402,956 (\$403,956 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that none of the claimed costs is allowable because the district claimed unsupported costs. The State paid the district \$101,105. The district should return the total amount to the State.

Background

Education Code Sections 48209.1, 48209.7, 48209.10, 48209.13, and 48209.14 (added and amended by Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) require that any school district may elect to accept inter-district transfers and become a school district of attendance "choice" for pupils from other school districts. They also establish the statutory right of the parent or guardian of a pupil who is prohibited from transferring to appeal this decision to the county board of education.

If a district makes the election, the choice program requires several nondiscriminatory policies:

- Transfers are to be allowed on a random basis, subject to a numerical limit adopted by either the "sending" district of residence or "receiving" district of choice and may be prohibited if they adversely affect either school district's integration program;
- Although districts are not required to establish new programs to accommodate the pupil transfer, the school district of choice cannot prohibit a transfer of a pupil just because the additional cost of educating the pupil would exceed the amount of additional state aid received as a result of the transfer;
- Resident pupils cannot be displaced by a choice transfer;
- Rejected requests for transfer require that the district provide written notification to the parent or guardian of the reason; and
- Once a transfer is granted, the pupil has the right of continuation to other grade levels.

All school districts are required to collect and report data on the number of requests submitted, transfers granted, and transfers denied.

On April 28, 1995, and May 6, 1996, the Commission on State Mandates (COSM) determined that Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines criteria for reimbursement. COSM adopted the *Parameters and Guidelines* on July 25, 1996. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the School District of Choice: Transfers and Appeals Program for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district declined our request.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Irvine Unified School District claimed \$402,956 (\$403,956 less a \$1,000 penalty for filing a late claim) for School District of Choice: Transfers and Appeals Program costs. Our audit disclosed that none of the claimed costs is allowable.

For fiscal year (FY) 1999-2000, the State paid the district \$20,505. Our audit disclosed that none of the costs claimed is allowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$80,600. Our audit disclosed that none of the costs claimed is allowable. The district should return the total amount to the State.

Views of Responsible Officials

We issued a draft audit report on September 20, 2004. We contacted Lisa Howell, Director of Fiscal Services, Irvine Unified School District, by telephone on October 14, 2004. Ms. Howell stated that the district will not respond to the draft report.

Restricted Use

This report is solely for the information and use of the Irvine Unified School District, the Orange County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 1999, through June 30, 2002

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u> ¹
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 363,791	\$ —	\$(363,791)
Indirect costs	<u>6,985</u>	<u>—</u>	<u>(6,985)</u>
Subtotals	370,776	—	(370,776)
Less late penalty	<u>(1,000)</u>	<u>—</u>	<u>1,000</u>
Total costs	<u>\$ 369,776</u>	<u>—</u>	<u>\$(369,776)</u>
Less amount paid by the State		<u>(20,505)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,505)</u>	
<u>July 1, 2000, through June 30, 2001</u> ²			
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 31,842	\$ —	\$(31,842)
Indirect costs	<u>1,338</u>	<u>—</u>	<u>(1,338)</u>
Subtotals	33,180	—	(33,180)
Less late penalty	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 33,180</u>	<u>—</u>	<u>\$(33,180)</u>
Less amount paid by the State		<u>(80,600)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (80,600)</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Salaries and benefits	\$ 395,633	\$ —	\$(395,633)
Indirect costs	<u>8,323</u>	<u>—</u>	<u>(8,323)</u>
Subtotals	403,956	—	(403,956)
Less late penalty	<u>(1,000)</u>	<u>—</u>	<u>1,000</u>
Total costs	<u>\$ 402,956</u>	<u>—</u>	<u>\$(402,956)</u>
Less amount paid by the State		<u>(101,105)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(101,105)</u>	

¹ See the Finding and Recommendation section.

² The district did not file a reimbursement claim for FY 2000-01.

Finding and Recommendation

FINDING— Unallowable salaries, benefits, and related indirect costs

The district claimed unsupported salary and benefit costs of \$395,633 for the audit period. The related indirect costs total \$8,323.

The unallowable costs were due to the following:

- The district claimed \$394,993 (\$363,151 for FY 1999-2000 and \$31,842 for FY 2001-02) based on employees declarations. The district prepared the declarations seven months after the end of the fiscal year for FY 1999-2000 and six months after the end of the fiscal year for FY 2001-02. The district provided no source documents to validate the estimated hours. From an audit standpoint, declarations are unacceptable documentation without source documents to validate the time spent performing the mandated activities.
- For FY 1999-2000, the district provided time logs to substantiate \$640 claimed for mandate-related activities. However, the time logs did not specify that the activities performed were mandated-related.

A summary of unallowable costs is as follows:

	Fiscal Year		
	1999-2000	2001-02	Total
Salaries and benefits	\$ (363,791)	\$ (31,842)	\$ (395,633)
Related indirect costs	<u>(6,985)</u>	<u>(1,338)</u>	<u>(8,323)</u>
Audit adjustment	<u>\$ (370,776)</u>	<u>\$ (33,180)</u>	<u>\$ (403,956)</u>

Parameters and Guidelines specifies that only actual increased costs incurred to implement alternative pupil attendance choice transfers and supported by appropriate documentation are reimbursable.

Recommendation

We recommend that the district establish and implement policies and procedures to ensure that it properly supports all hours claimed.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>